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**THE EFFECT OF MACROECONOMIC VARIABLES TOWARDS
MALAYSIA STOCK MARKET PRICE**

AHMAD SUFIAN BIN ABDULLAH



**MASTER OF SCIENCE FINANCE
UNIVERSITI UTARA MALAYSIA
2017**

**THE EFFECT OF MACROECONOMIC VARIABLES TOWARDS
MALAYSIA STOCK MARKET PRICE**

AHMAD SUFIAN BIN ABDULLAH



**THESIS SUBMITTED TO
SCHOOL OF ECONOMIC, FINANCE AND BANKING,
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**Pusat Pengajian Ekonomi,
Kewangan dan Perbankan**

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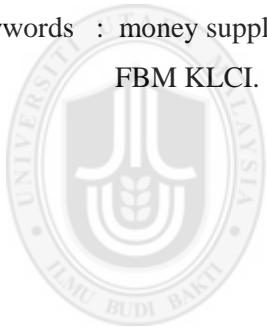
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Abstract

The purpose of the study is to find the macroeconomic variables factors that can affect the Malaysia stock market price. This study used the time series data for the variables including stock market price (KLCI), inflation rate, exchange rate, money supply (M2) and unemployment rate. By using the multiple regressions analysis model the finding shows all macroeconomic variables are significantly influenced Malaysia stock market price (KLCI) including unemployment rate. Besides the macroeconomics factor like money supply, exchange rate and inflation rate, unemployment rate as a new variable been tested to know the impact towards stock market price. However based on the results from the regression analysis shows only money supply (M2) has the positive influences towards Malaysia stock market price.

Keywords : money supply (M2); inflation rate; exchange rate; unemployment rate;
FBM KLCI.

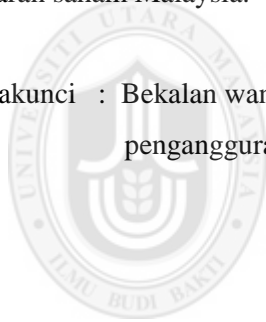


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Abstrak

Kajian ini bertujuan untuk mengkaji faktor-faktor makroekonomi yang boleh memberi kesan kepada harga pasaran saham di Malaysia. Kajian ini menggunakan data siri masa untuk pembolehubah termasuk harga pasaran saham (KLCI), kadar inflasi, kadar pertukaran matawang, bekalan wang (M2) dan kadar pengangguran. Dengan menggunakan model regresi linear berganda menunjukkan semua pembolehubah makroekonomi mempengaruhi harga pasaran saham Malaysia (KLCI) termasuk kadar pengangguran. Selain faktor makroekonomi seperti bekalan wang, kadar pertukaran dan kadar inflasi, kadar pengangguran sebagai pembolehubah baru telah diuji untuk mengetahui kesan terhadap harga pasaran saham. Walau bagaimanapun berdasarkan keputusan daripada analisis regresi menunjukkan hanya bekalan wang (M2) mempunyai pengaruh positif terhadap harga pasaran saham Malaysia.

Katakunci : Bekalan wang (M2); kadar inflasi; kadar pertukaran matawang; kadar pengangguran; FBM KLCI



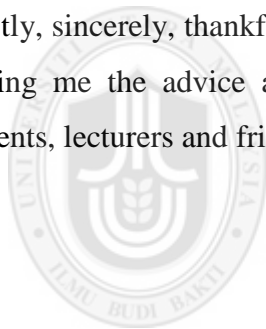
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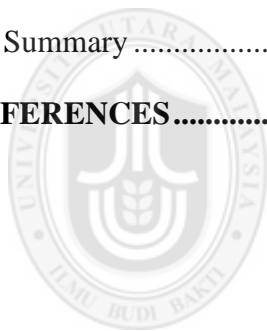
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List of Abbreviations

KLCI = Kuala Lumpur Composite Index

M2 = Money Supply

US = United States

INF = Inflation

EXR = Exchange rate

RM = Ringgit Malaysia

USD = United States Dollar

UNEMP = Unemployment rate



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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Chapter one for this research include the background of study, problem statement, research questions, research objectives and also the significance of study. All of sub chapter in this segment give the initial perspectives of this research. This study is conducted to examine the impact of exchange rate, inflation rate, money supply and unemployment rate towards the stock market price in Malaysia. Malaysian stock market price that being measured in this study from FTSE Bursa Malaysia KLCI (FBM KLCI).

1.2 Background Study

Stock markets plays important role to the economy especially in the businesses with access to capital and investors with the chance or opportunities for capital gains. According to the research by Levina and Zervos (1996) shows the stock market contributes significantly to the economic growth. Since the stock market prices are subject to increase and decrease, it becomes necessary to know the factors influencing the stock prices.

Khan and Yousuf (2013) mentioned many reasons to be an interest to know the factors that influence the stock price. First is the investor's perspective to help them to forecast stock price accurately in the case of making the decisions regarding their maximum gains in stock portfolio. Secondly is for businesses, which use the stock price as the indicator to show the financial image of companies to make them easier

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Appendix A

Descriptive Analysis

Statistics

		UNEMP	MONEYSUP	EXCHA	INFLA	KLCI
N	Valid	72	72	72	72	72
	Missing	0	0	0	0	0
Mean		3.322222222	5.827835092	3.561747222	2.451388889	-.001258333
Median		3.300000000	5.855362782	3.650750000	2.100000000	-.000850000
Mode		3.0000000	5.4508155 ^a	3.8000000	1.0000000 ^a	.0019000 ^a
Std. Deviation		.3525449616	.2493812877	.3331890404	1.646506593	.0751694513
Variance		.124	.062	.111	2.711	.006
Minimum		2.7000000	5.4508155	2.9555000	-2.4000000	-.3199000
Maximum		4.5000000	6.1964965	4.5450000	8.5000000	.3084000

a. Multiple modes exist. The smallest value is shown



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Appendix B

Regression Analysis

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.949 ^a	.900	.895	.0575902199

a. Predictors: (Constant), INFLA, MONEYSUP, UNEMP, EXCHA

b. Dependent Variable: KLCI

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.011	4	.503	151.552	.000 ^b
	Residual	.222	67	.003		
	Total	2.233	71			

a. Dependent Variable: KLCI

b. Predictors: (Constant), INFLA, MONEYSUP, UNEMP, EXCHA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.222	.337		.658	.513		
	UNEMP	-.068	.021	-.135	-3.249	.002	.863	1.159
	MONEYSUP	.562	.041	.790	13.845	.000	.456	2.194
	EXCHA	-.059	.030	-.112	-2.009	.049	.482	2.075
	INFLA	-.019	.004	-.175	-4.504	.000	.989	1.011

a. Dependent Variable: KLCI

Appendix C

Regression Analysis (Dummy Variable)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951 ^a	.905	.896	.0571852960

a. Predictors: (Constant), crisis2, crisis1, UNEMP, INFLA, EXCHA, MONEYSUP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.020	6	.337	102.962	.000 ^b
	Residual	.213	65	.003		
	Total	2.233	71			

a. Dependent Variable: KLCI

b. Predictors: (Constant), crisis2, crisis1, UNEMP, INFLA, EXCHA, MONEYSUP

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.197	.355		.556	.580		
	UNEMP	-.061	.022	-.121	-2.789	.007	.780	1.281
	MONEYSUP	.564	.044	.793	12.698	.000	.376	2.660
	EXCHA	-.061	.029	-.115	-2.082	.041	.479	2.088
	INFLA	-.017	.005	-.155	-3.659	.001	.815	1.227
	crisis1	-.014	.028	-.025	-.513	.609	.603	1.660
	crisis2	-.038	.023	-.068	-1.667	.100	.882	1.134

a. Dependent Variable: KLCI